



**Assistance in Building Afghanistan by Developing Enterprises Program**  
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## **Quarterly Report**

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Volunteers for Economic Growth Alliance (VEGA)  
1726 M Street NW, Suite 800  
Washington, DC 20036



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USAID Afghanistan ABADE Program

VEGA Contact: Michael Deal  
Executive Director  
Volunteers for Economic Growth Alliance (VEGA)  
1726 M Street NW, Suite 800  
Washington DC 20036  
Tel: (202) 223 7012  
Email: [mdeal@vegaalliance.org](mailto:mdeal@vegaalliance.org)

IESC Contact: David Hartingh  
Vice President  
International Executive Service Corps (IESC)  
1900 M Street, NW Suite 500  
Washington, DC 20036  
Tel: (202) 589 2600  
Email: [dhartingh@iesc.org](mailto:dhartingh@iesc.org)

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## LIST OF ACRONYMS

ABADE:	Assisting in Building Afghanistan by Developing Enterprises	GMP:	good management practices
ABIF:	Afghanistan Business Innovation Fund	IDEA-NEW:	Incentives Driving Economic Alternatives for the North, East, West
ADF:	Agricultural Development Fund	IESC:	International Executive Service Corps
AIBF:	Afghan Institute of Banking and Finance	ILO:	International Labor Organization
AISA:	Afghanistan Investment Support Agency	IQC:	indefinite quantity contract
ANSA:	Afghan National Standard Authority	IR:	intermediate results
ANSA:	Afghan National Standards Authority	ISAF:	International Security Assistance Force
AO:	Agreement Officer	IT:	Information Technology
AOR:	Agreement Officer's Representative	LARA:	Land Reform in Afghanistan
APPF:	Afghan Public Protection Force	LTTA:	Long-Term Technical Assistance
ASMED:	Afghanistan Small Medium Enterprise Development Program	M&E:	Monitoring and Evaluation
AWDP:	Afghanistan Workforce Development Program	MoCI:	Ministry of Commerce and Industries
AWDP:	Afghanistan Workforce Development Program	MoF:	Ministry of Finance
BDS:	Business Development Services	MoM:	Ministry of Mines
BSP:	Business Service Provider	NGO:	Non-Governmental Organization
CHAMP:	Commercial Horticulture and Agricultural Marketing Project	OAG:	Office of Agriculture
COP:	Chief of Party	OEGI:	Office of Economic Growth and Infrastructure
DCOP:	Deputy Chief of Party	OHS:	Occupational Health and Safety
DFID:	UK Department for International Development	PIO:	Public International Organizations
DOC:	Department of Commerce	PMP:	Performance Management Plan
EGGI:	Economic Growth and Governance Initiative	PPA:	Public-Private Alliances
EPPA:	Export Promotion Agency of Afghanistan	RADP:	Regional Agriculture Development Program
FAIDA:	Financial Access for Investing in the Development of Afghanistan	RAMP-UP:	Regional Afghan Municipalities Program for Urban Populations
GIRoA:	Government of the Islamic Republic of Afghanistan	RFA:	Request for Application
GIZ:	Deutsche Gesellschaft für Internationale Zusammenarbeit	SME:	Small and Medium Enterprise
		STTA:	Short-Term Technical Assistance
		SUPPORT II:	Services under Program and Project Offices for Results Tracking
		TA:	Technical Assistance
		TAFA:	Trade and Accession Facilitation for Afghanistan

TAMIS:	Technical, Administrative, and Management Information System
TFBSO:	Taskforce for Business and Stability Operations
USAID:	United States Agency for International Development
USG:	United States Government
VEGA:	Volunteers for Economic Growth Alliance
WB:	World Bank
WED:	Women Enterprise Development

## EXECUTIVE SUMMARY

VEGA/IESC implements the Assistance in Building Afghanistan by Developing Enterprises (ABADE) Program under Leader-with-Associate Cooperative Agreement No. EEM-A-00-04-00002-00, Associate Cooperative Agreement No. AID-306-LA-13-00001. The period of performance is October 16, 2012 – October 16, 2016.

IESC is the lead implementer of the ABAD E Program, joined by Land O'Lakes International Development and DAI. ABAD E supports USAID Assistance Objective 4: *a developed business climate that enables private investment, job creation, and financial independence* by helping SMEs grow their businesses. The latter is achieved by providing small and medium enterprises (SMEs) and Innovative Alliance Partners with the appropriate equipment and technologies, access to technical assistance, and business-specific inputs they need to succeed. ABAD E's three components are designed to increase the productivity and investment potential of SMEs in Afghanistan, generate employment, and improve Afghanistan's business enabling environment.

This report details progress made in the launch of ABAD E's technical programming in the second quarter and program activities carried out within the project's three main components.

## PROGRAM HIGHLIGHTS

In the second quarter of operations, IESC and subcontractors Land O' Lakes and DAI have made significant progress in advancing the program's three main components. Project launch events and roadshows introducing the Public Private Alliance (PPA) activity (Component 1) were held in Kabul, Herat, and Mazar-i-Sharif. In addition, 35 PPA applications were reviewed resulting in three that received preliminary USAID approval and are pending final signatures from the partners. An additional four PPAs are in the final stages of vetting and are undergoing internal audit prior to submission of approval requests to USAID, and eight more require further development to better meet funding criteria.

ABAD E's Training and Technical Assistance (Component 2) team has selected multiple local firms under an indefinite quantity contract (IQC) which will support the delivery of business consulting and technical assistance. The team has continued outreach to, and registration of, active Business Service Providers (BSPs) located in the main cities of Afghanistan. Eighty BSPs (enterprises or NGOs) have been verified through an interview selection process. The Component 2 team is engaged with BSP in the development of a Business Development Service (BDS) action plan that includes consultation and orientation workshops, the implementation of a business services market survey, support to BSP efforts in structuring the sector, developing a networking and resource center that would support outreach to the public and private sector, capacity building for BSPs in marketable skills, and certification functions within the sector.

The Business Enabling Environment team (Component 3) has conducted a review of Ministry of Commerce and Industry (MoCI's) SME strategies and action plans, which were developed as part of the government's efforts to reduce policy, legal, and regulatory impediments to business growth in specific industry sectors. Two short-term technical assistance efforts were designed to assist GIRoA in implementing action plans and ongoing efforts are being made to assist ABAD E clients with solving legal, regulatory, and administrative problems related to doing business. The component is also engaged with the MoF and other strategic investment ministries to assist them in developing workable public-private partnership models.

Further, ABAD E completed a gender baseline survey for internal use, to inform ABAD E's approaches to supporting the formation of PPAs, delivery of TA and training, and the program developed a gender strategic action plan for supporting women in business. ABAD E also produced an Environmental Management Plan and submitted an Environmental Manual to USAID in order to facilitate the clearance process for the volume of expected subprojects under Component 1 activities.

## GENERAL PROGRAM MANAGEMENT

In the second quarter, ABADE held official launch events in Kabul, Herat, and Mazar-i-Sharif to introduce the program to businesses, prospective program beneficiaries, counterparts, and other implementing partners. The first event was the ABADE Launch conference in Kabul, which gathered 163 participants. The key speakers at the Launch included H. E. Dr. Anwar-ul-Haq Ahadi, Minister of Commerce and Industry; Mr. Wafiullah Iftikhar, President & CEO of AISA; and Ms. Brooke Isham, USAID Deputy Mission Director. Subsequent launch events were held in combination with the ABADE roadshows to present the PPA component to potential partners. Additional information on the roadshow activity is detailed in the next section of this report.

A contract was concluded with APPF that allowed ABADE personnel to move into project facilities. In the second quarter, ABADE also subcontracted the operation of regional offices in Herat and Mazar-i-Sharif and completed recruitment of most of the remaining CCN personnel positions.

The ABADE field team also procured and received most of the project's hardware and software. The equipment was installed in the ABADE compound and sub-awardee DAI began the deployment of ABADE's technical, administrative, and management system (TAMIS). The ABADE/TAMIS is expected to be fully operational and rolled out in May 2013.

## COORDINATION MEETINGS

**AISA:** Together with USAID, a meeting was held with Mr. Wafiullah Iftikhar, President & CEO of AISA, to introduce the program and its planned activities. ABADE also attended the AISA Donors Conference on Investment Growth which outlined AISA's implementation needs. AISA estimates that in order to meet their institutional objectives, they will require USD 7.2 million for promotion and promotional trips; and USD 202 million for industrial parks development; as well as funding for other institutional needs, such as:

- Advisors and consultants for research
- Establishment of a research center to find and develop investment opportunities
- Staff training (96 in management, 46 in technical topics, 18 bachelor/masters education, 26 in strategic management and leadership)

AISA also requested support in several of its promotional activities, specifically for an international media campaign (USD 5 million), a conference on investment in Herat (USD 300,000), and the Istanbul Investment Conference (USD 1 million). Since these requests go far beyond ABADE's mandated activities, efforts were made to carve out a specific portion of each activity that could be supported. In addition, ABADE is considering providing institutional support to aid AISA in prioritizing its needs and developing a strategy to make better use of possible or available donor assistance.

**MoCI:** The project met with Minister Dr. Anwar-ul-Haq Ahadi to introduce the ABADE project and to inform MoCI about its activities. Based on this initial meeting, relations were developed with the Private Sector Development Department and specifically with the SME Directorate. ABADE joined the working group meetings organized by the MoCI/SME Directorate and attended the first such meeting on agribusiness in April. Discussions are ongoing as to how ABADE should provide further assistance with MoCI's sector strategies and, more specifically, the relevant action plans in sectors of interest.

**MAIL:** An introduction to the project was provided to Mr. Qayoom Bassam, Director of the Private Sector Department at MAIL. Agreement was reached to encourage the Private Sector Department to refer potential agribusiness investment projects to ABADE for PPA consideration. With their assistance, the environmental specialist also consulted with MAIL experts on issues related to the proposed pine nut collection and pine tree protection PPA activity.

**AWDP:** ABADE met with the COP and senior staff of AWDP. It was agreed that the two programs would exchange information on their activities. AWDP uses non-government institutions to provide training in construction, financial

management, ICT, project management, business communications, women in the private sector, and employment-related services. As such, ABADE could benefit from AWDP activities by referring its alliance partners to AWDP to receive skills improvement.

**FAIDA:** Coordination is ongoing between the two projects, with referrals going both ways. FAIDA is sharing projects that require some technical assistance before they become bankable, and ABADE is consulting with FAIDA on issues related to commercial funding for possible PPAs. FAIDA has agreed to participate as a mediator at an ABADE presentation to the Afghan Bankers Association. The purpose the event is to inform the commercial banks of possibilities related to the PPAs; several banks have already attended ABADE roadshows.

**TAFA:** The two programs decided to work together on combining TAFA's enabling approach with ABADE's targeted assistance to SMEs. An outcome of this collaboration is ABADE's participation in the saffron round table in Herat on April 20-22, 2013, the marble round table in Kabul on May 11, 2013, and most likely at the dried fruits event on May 10, 2013 (TBC), together with CHAMP.

**Other Donors:** ABADE participated in the PSD sector donor meeting at the World Bank on February 21 and presented its activities to all donors and donor projects. DFID and GIZ are working on compiling a full matrix of PSD projects in country, which will be used to establish coordination and cooperation with all relevant donor-supported activities.

**World Bank/IFC:** ABADE presented itself to WB/IFC and informed them of planned activities. It was determined that the two ABADE enabling environment indicators (company registration and construction licenses) are already being addressed and therefore there is no need for additional ABADE engagement in these areas. As a result, ABADE will focus its assistance efforts in the development of PPP models and contract models in support of the MoF's efforts to support PPPs, as well as the need to coordinate with the recently started New Market Development (NMD) project, implemented by GIZ.

**New Market Development (NMD) Project:** Implemented by GIZ, this USD 12.5 million WB funded project provides training in marketing, business planning, and external consultancies, by means of grants with cost sharing. NMD also covers expenses for staff training abroad, trade missions, fairs, representative offices abroad, product lab testing, and certification. Under this project, WB will contribute 50% toward the procurement of these business development services. NMD contributions are capped at USD 100,000 for SMEs and USD 150,000 for associations. NMD conducts an impact assessment six months after the assistance is completed. NMD is co-located with ACCI in Kabul, Jalalabad, Herat, and Mazar. They started operations in December 2012, with the full team assembled in March 2013. A Program Management Unit at MoCI, headed by Mr. Saeedi, provides recommendations for possible clients and does the actual payment of the (50%) reimbursement. The NMD Steering Committee includes representatives from ACCI, Harakat, AISA, and AWBF.

**Task Force for Business and Stability Operations (TFBSO):** ABADE established communication with TFBSO at several levels. The first contact was regarding their proposal (not accepted) to support the cashmere sector by improving herds in Kandahar. TFBSO sought funding for operational expenses and support for two international experts to do a feasibility study on the refurbishment of old wool-mills to handle cashmere. A previous feasibility study had already been conducted by ASMED on the prospects for reviving these textile factories. In addition to these field meetings, IESC's home office also met with TFBSO leadership in Washington D.C. and an agreement was reached for TFBSO to meet with the ABADE team in Kabul when they arrive in country mid-April 2013. A telephone conference was held with a representative of IBM, TFBSO contractor, on possibilities for exchanging information on eventual synergies in SME assistance on activities that TFBSO have reviewed and that meet ABADE's selection criteria. TFBSO has reviewed approximately 700 possible investment projects from companies, and among these only 5-10 are in the pre-qualification or implementation stage. Therefore, some good application could possibly be identified among the investment projects that TFBSO is unable to support.



**Marble Center of Excellence:** Funded through the U.S. Department of Commerce, FLAG International is supporting the establishment of a Marble Center of Excellence in Afghanistan. This non-profit center is intended to serve as a sustainable, NGO non-profit training and resource center for the marble industry. Its five staff and one STTA team is working on setting up the center, supporting marble trade shows, and preparing specific training programs for marble quarry operators and processors. Collaboration under ABADE will come in the form of FLAG's support to five different companies to prepare and submit concept notes to ABADE for PPA opportunities.

## **COMPONENT 1: PUBLIC PRIVATE ALLIANCES**

Component 1, which covers PPAs, provides sub-awards to Afghan SMEs and consortia of SMEs and organizations engaging in economic development activities at the small and medium enterprise level. The PPAs are divided under two sub-components, SME Alliances and Innovation Alliances:

**Component 1A - SME Alliances:** Support to existing, productive SMEs, consortia, or joint ventures of existing SMEs through a competitive award process to mitigate business expansion risks, encourage private investment for business growth and job creation, and expand markets for alliances.

**Component 1B - Public-Private Innovation Alliances:** PPAs to stimulate private-sector-led development and investment through innovation-focused sub-awards. Innovation Alliances target investments that offer non-traditional business approaches to creating economic growth and stability in the following areas: 1) economic stability, particularly in rural areas, in the form of job creation and income enhancement; 2) economic growth with a focus on jobs; workforce development through vocational-technical training, particularly of youth; promotion of the role of women; and 3) the use of science and technology in enhancing Afghanistan's development.

## **TOOLS & METHODS**

The Component 1 team finalized a comprehensive PPA manual, which was approved by USAID after review. The manual has been used consistently to implement the screening and selection of PPA applications received. It also provided a reference for preparing the presentations and materials used during the launch events, roadshows, and preparatory workshops.

ABADE has also developed a flow chart to summarize the PPA processing cycle, under a logical sequence that mimics the TAMIS structure to track pre and post award processes. In addition, a PPA tracker was developed jointly with M&E team. This tool will allow ABADE to keep both factual information and manage the time allocated and spent on the various steps of the process.

Following the Request for Applications (RFA) for SME Alliances launched in the last quarter, ABADE released the Innovation Alliances PPA in the second quarter.

The ABADE team participated in an USAID/OEG retreat which was a good chance for ABADE to present itself and establish linkages with other USAID implementation partners, government entities, and group of business-women.

## **OUTREACH AND COMMUNICATION EVENTS**

As outlined in the ABADE work plan, the team implemented three major outreach events over the last quarter. Aside from the Launch, ABADE organized roadshow presentations in Kabul (February 26, 2013 - 150 participants), Herat (March 11 - 134 participants), and Mazar-i-Sharif (March 26 - 70 participants). The aim of these events was to reach out to the business community in the regions, present ABADE business support opportunities, and explain application criteria and processes. Most of the audiences consisted of business persons who showed a high interest in engaging with ABADE. Our team's on-the-spot estimates indicated that two-thirds of the participants intended to submit an

application shortly after the event, and ABADE did receive an influx of applications in the weeks following the workshops.

## **TECHNICAL COORDINATION WITH OTHER PROJECTS**

The PPA team attended a pre-conference meeting in Jalalabad on economic growth and contributed a presentation to the regional business conference. These activities resulted in increased awareness for potential PPA partners, as well as building linkages with other USG projects (PRT, USDA...) and local government departments and agencies.

The ABADE team had an audience on the 19<sup>th</sup> of February with the Governor of Wardak and a group of implementation partners. The meeting was instrumental in raising awareness about the ABADE program identifying business leads, and getting feedback from potential applicants in the province.

Over the second quarter, the ABADE team followed up on previous contacts and engaged with new potential partners and IPs. Significant meetings were held with:

- FAIDA, on role sharing – an agreement was reached to exchange information on our respective application portfolios and on a reciprocal referral system.
- USAID OSM – Western and Southern Regions.
- USAID/Economic growth office staff—process of PPA.
- AMGPA, on coordination about a PPA for the marble sector.

## **PREPARATION OF ALLIANCES**

The preparation of Alliance applications for funding was temporarily slowed in February while the Component 1 team focused on organizing launch and outreach events and workshops. A total of six such events were held over a one-month period.

In gathering other applications, the Component1 team engaged with other projects. With FAIDA's financial manager, it was agreed that FAIDA will submit to ABADE a list of investment projects which don't match all FAIDA selection criteria (scope, size, etc.). The IBM team (TFBSO program) indicated willingness to refer about 40 SME projects to ABADE. Complementarities also exist with GIZ's New Market Development program. Such opportunities are being actively pursued and will result in additional applications in April 2013.

As indicated in the work plan, the roadshow presentations were followed by application writing workshops. ABADE organized the first of such sessions in Kabul (24 March) for 88 participants (21% women). Some participants came from Maidan Wardak, Kandahar, and Herat. The aim of the workshop was to equip applicants with business planning tools and templates, enabling them to write sound business concept notes. The event revealed different sub-groups within the audience. About half of the SMEs had a well-defined concept and were looking for specific, practical information on how to prepare their applications. The other half, by contrast, were less advanced in the project preparation process and were looking for a better understanding of how to engage with ABADE. As a result of the workshop, applicants increased their understanding of the application requirements. ABADE staff were also able to engage directly with SME managers and collect information on 20 concept notes that are in advanced stages of development. ABADE has listed these business leads for follow-up and will support their submission in April 2013.<sup>1</sup> In addition, an AISA representative attended the workshop and was able to interact with SMEs in the audience.

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<sup>1</sup> In April, ABADE received a total of 16 CNs, of which 3 were selected and ABADE is gathering additional required data, 5 were selected but require a better formulation of the business concept, and 8 were rejected.

Given the very practical nature of needs expressed, ABADE will modify the structure and delivery of these events in future. The most interesting parts of the workshops for applicants were group work sessions and individual meetings. These working sessions provided ABADE with first-hand information on the level of maturity of projects. Therefore, for the upcoming Herat and Mazar 'application writing' sessions, the ABADE team will reduce the presentation of the business tools (handouts will be circulated beforehand) and will instead devote more time to Q&A and practical advice sessions. The events will be sub-contracted to a BDS provider selected competitively, which will implement future workshops under the supervision of ABADE staff.

As of March 2013, ABADE has collected 35 concept notes. Three were pre-approved and are now in the process of preparing full packages for submission to AOR and AO for approval. A workable concept note structure has also been established. The number of concept notes received, evaluated and prepared for approval are as follows: 35 received, 18 rejected, 12 in progress, and three approved by USAID.<sup>2</sup>

### CONCEPTS PRE APPROVED BY USAID

- **Hikmat (animal feed):** The project is intended to upgrade the Hikmat Feed Mill's production equipment to meet the local demand for poultry and livestock feed, with an ABADE investment of USD 200,000. The project will create 14 jobs at the production plant, but indirect jobs could be created for up to 1,100 families as the company wants to increase production based on inputs to be grown and processed locally. The internal vetting is completed and the documentation package was forwarded to the vetting unit for processing. The environmental review (ERR) has already been approved by USAID. An ABADE team is travelling to Kandahar to conduct a pre-award survey on April 15.
- **Paiwastoon (Magic Box server/router):** ABADE funds (USD 103,000) for this Innovation Alliance would finance the production of an innovative low power, low cost, low bandwidth server controller "magic box" for Afghan SMEs which would allow IT service companies to remotely service network installations at remote locations, increasing the size of the SME market for IT services. . Approximately 50 indirect jobs will be created once the boxes are in production with the expansion of the IT market.
- **Buzurge (pine nut processing):** The partners aim to establish and operate a modern pine nut processing facility in Afghanistan, with an ABADE investment of USD 900,000 in the activity. The factory will produce shelled pine nut kernels for export to different end-markets via Rotterdam. Buzurge Afghan LTD will hire up to 40 new employees, while their Dutch partner contributes management experience, technical know-how, and export assistance. Indirect employment is estimated at 1,000 out-growers/collectors in year one up to 10,000 in year five.

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<sup>2</sup> The request for applications for SME alliances was launched on January 6, 2013, and for innovative alliances on January 21, 2013, while the program was officially launched on February 13, 2013.

Since the program was launched and concept note (CN) workshops started up in late February, the number of selected, and revised/reworked concept notes amounts to 3.3 per week. Currently the pace is 3-5 per week, which means that by October 1 (22 weeks), the number of selected feasible CNs should reach 100-120. Assuming that the currently required time for preparations before submission to AO for approval is 8-12 weeks, the estimate would be some 70 approved PPAs by October 1.

With the currently available experience, ABADE is working on two fronts to improve performance during the next period – reduce the preparatory time and increase the number of received CNs. The whole CN selection, review and revision process is being streamlined, also using external resources to speed it up significantly, in an effort to bring it down to 4-6 weeks. ABADE is considering ways to increase its outreach efforts by: engaging an additional STTA to better coordinate and lead the outreach efforts, expand the number of application writing workshops in coordination with various business forums and other projects. Furthermore, the regional offices in Herat and Mazar are expected to become fully operational in May, and additional forms of outreach are being considered, including a radio and TV campaign.

## UNDER REVIEW BY USAID:

- **GEO SEARCH (mining):** The company plans to revive an existing quarry and establish marble production with ABADE investment of USD 320,000. Direct and indirect job creation would be about 230 jobs. A market survey has been planned and scope of work developed. Detailed specification of equipment for procurement is in completion.

## CONCEPTS IN PROGRESS

- **The Galleria (decorative glass):** This is an Innovation Alliance in support of artisans in the production of traditional decorative glass items. ABADE would investment USD 53,000. The concept is considered an innovation project because it will enable local artists to produce work for sale through Galleria.
- **Yasmin ARA, (tempered glass).** The overall intention is a new USD 50 million investment in the manufacturing of flat glass for construction purposes, and has received financial support from TFBSO to start construction of the new plant in the Mazar industrial area. Since they will need major funding assistance for the bulk of the investment (now talking to FAIDA and AGF), they are proposing a two-phase approach, and have submitted their Phase I application to ABADE. This project involves investment in a glass-tempering factory for the domestic processing of the flat glass currently imported from Pakistan. After initial reviews, Yasmin ARA is expected to resubmit their revised application. Phase I would generate some 400 jobs and require an ABADE investment of USD 800,000 to USD 1 million.
- **Berouge Paints: (paints and packaging):** The company has been requested to provide a concept addressing specific parts of their plans (productions of plastic drums and tin buckets) and to provide a financial plan for the project.
- **EDP A (micro hydro power and distributed electricity supply):** The concept is to develop, construct, own, and operate electric utilities to provide reliable and affordable electricity to areas with significant economic growth potential and that the demonstrated capability to pay for the electricity. One hundred and forty-seven direct jobs would be created however, indirect job creation is estimated at over 1,000 when power supply is made available to businesses. ABADE contribution to the investment is in the order of USD 300,000.
- **Green Organic (organic fertilizer):** This is an Innovation Alliance requesting USD 35,000 of ABADE investment. Green Organics objective is to convert wet waste into organic fertilizer using vermicomposting (composting with worms). Green Organic customers are farmers, gardeners, nursery owners, and anyone who uses fertilizers for agricultural purposes.
- **Green Hewad (peanut processing):** The company will produce quality roasted peanuts, with an ABADE investment of USD 109,000. The company is working directly with producers with no middlemen involved, and the investment is expected to create 38 direct and 266 indirect jobs.
- **RTC (payment solution provider):** RTC will set up a network of point-of-sales and servers to enable card payments in areas of Afghanistan where these facilities are lacking. The investment will facilitate financial transactions for SMEs, for an ABADE investment of USD 360,000. The company is woman-owned and managed, and the majority of working places established will be for women. The project was referred to ABADE by USAID's FAIDA program.
- **Nikqadam Javed: (construction materials):** The company will be engaged in the processing, design, and sales of construction materials. The venture is expected to create 44 jobs with an ABADE investment of USD 350,000. The PPA would benefit the construction industry as locally made materials become available.

- **Payame Noor, (children's books):** Payame Noor is engaged in the design, printing, and sale of children books authored by Afghans. The project will promote a new genre in the publishing industry in Afghanistan that will foster an attractive and competitive market for female authors, designers, and publishers.
- **Quadrant, (handyman professional services):** The service company will provide handyman services to offices and private households.
- **Badghis Ice Factory (ice production and fruit juice packaging):** A joint venture of two experienced companies, the factory will produce and distribute ice for food cooling (as at packing sheds), food transport, short term storage, and production and package of fruit juices. Direct and indirect job creation is estimated at 75, but the production will benefit food producers by improving quality and reducing losses during transport for an ABADE investment of USD 143,950.

## COMPONENT 2: TECHNICAL ASSISTANCE AND BUSINESS ADVISORY SERVICES

Component 2 provides technical assistance for sub-award recipients and program stakeholders to improve their operations and management capabilities. ABADE assistance focuses on resolving technical business issues such as market entry, production, access to finance, profitability, and achievement of quality standards.

### TOOLS AND METHODS

Subsequent to the release of an RFP for business service provision under Component 2, ABADE is issuing multiple awards under an indefinite quantity contract to BSPs who will support the delivery of business consulting and technical assistance. ABADE will issue a second RFP during the third quarter to include services not adequately covered by the providers selected in the first round, as well as a limited number of additional technical services (agro-food hygiene standards, sector-specific TA, and environment and quality management systems).

### TECHNICAL ASSISTANCE AND TRAINING SERVICES

In the second quarter, Component 2 was heavily engaged in supporting Component 1 potential Alliance partners. It also delivered one application writing workshops for Alliance applicants and assisted in the review and preparation of concept notes. Highlights of other Component 2 activities in the second quarter are presented below.

#### BDS REGISTRATION AND DIRECTORY

In order to obtain detailed information on Business Service Provider capabilities, ABADE is undertaking registration of BDS firms and building a directory of detailed service provision capacity. BSPs promote their services and access opportunities mostly on a network basis, and this is detrimental both to competition and to business growth. Information available on some websites is often geared to donor funded buyers or is outdated and unverified, thus bearing little value to SMEs on the lookout for specific services. ABADE is improving access to services for SMEs by undertaking an inventory of providers and verifying their services, number of staff, and past experience. Over the second quarter, ABADE has continued outreach to and registration of active BSPs the main cities of Afghanistan. As a result 80 BSPs (enterprises or NGOs) have been verified through interviews.

#### BDS SECTOR ACTION PLAN

ABADE C2 objectives include providing assistance and advice to PPA partners and other entities. In order to both provide high quality services and to ensure sustainability of the providers, strengthening the BDS sector is necessary. The BDS action plan includes consultation and orientation workshops, the implementation of a professional services market survey, support to BSP efforts in structuring the sector, and developing a networking and resource center that would support outreach to the public and private sector, capacity building for BSPs in marketable skills, and certification functions within the sector.

A first orientation meeting on March 17 was held with about 25 BDS firms, of which 4 were women-owned or represented. ABADE gave a presentation of business opportunities within the program and facilitated small group discussions about how to increase and improve engagement between SMEs and BDS firms, how to develop the BDS sector by building professional skills and technical capacity, and raising awareness of the role of the BDS sector and ways in which the sector can support private sector growth. Generally, there has been swift and positive feedback from the firms, both for engaging with ABADE and exploring sustainability models. Immediately after the event, a core group of BSPs created a LinkedIn group to continue the discussion.

ABADE has contracted STTA support to lead the sector's efforts in further developing a package of technical assistance and support to the BDS sector. The specialist will work up to 70 days over the period of April – September 2013. The assignment milestones are as follows.

- A workshop on BDS sector development models, including presentation of case studies from various development countries and discussion on the 'Afghan way forward'. During the second quarter, the ABADE C2 team and the expert have prepared the contents and logistics for this event, planned on April 19th.
- Two BDS sector surveys, intended to compile a directory of BSP suppliers' service offerings and to determine perceived SME needs for BSP support, thus identifying the gaps between supply and demand. The C2 team has completed the survey design and will work with BDS firms to implement the surveys in Q3 and early Q4.
- A series of working sessions and sector roundtables for creating sustainable sector support arrangements. Once the results of the survey are available, the STTA will liaise with different subgroups of providers (by sector and by topic), to discuss in depth how to bridge the identified gaps and what support functions are needed to achieve this. While these discussions will be led by BSPs themselves, ABADE and the STTA will serve as facilitators. Subsequently, ABADE will assist the BSPs to organize a national roundtable (Q3 or Q4), during which a sector-wide support arrangement will be discussed and validated.

### **COMPONENT 3: BUSINESS ENABLING ENVIRONMENT**

Component 3 of the ABADE Program is designed to improve the business enabling environment for SMEs by providing support to remove administrative and regulatory barriers to business success. The component will identify and analyze legal, regulatory, and administrative barriers faced by SMEs in the normal course of doing business. It will also mobilize stakeholder support for efforts to remove barriers, develop services and procedures for helping SMEs solve problems, and support efforts to implement legal, regulatory, and administrative reforms to improve the business environment.

#### **IDENTIFY AND ANALYZE LEGAL, REGULATORY, AND ADMINISTRATIVE BARRIERS**

The Team Leader has identified and appraised other current programs and activities aimed at improving the business environment in Afghanistan, including efforts supported by DFID, GIZ, the World Bank and IFC, and others. He also conducted an initial review of the status of the MoCI SME strategy and sector action plans which have been developed as part of the government's efforts to reduce policy, legal, and regulatory impediments to business growth in specific industry sectors. This review suggests that significant progress has been made in formulating new policies and regulations, but that much work remains to strengthen the capacity of GIRoA ministries to finalize and implement policy and regulatory reform recommendations.

As part of these initial review and planning activities, the C3 Team Leader met with MoCI officials to discuss plans for developing final versions of the action plans for six priority sectors. During the second quarter, the Component 3 team reviewed the GIRoA's SME Strategy published in 2011, including the action plans for the six priority industry sectors that were to be implemented during the March 2011-2013 time frame. These action plans provide details of the activities that MoCI intended to support in the following industry sectors: carpets, marble, gemstones, food processing, cashmere, and construction materials. In subsequent meetings it was determined that very few of the

activities included in these activities have been implemented and that there is a need to develop updated, final versions of the action plans, along with strategies and plans for implementing them.

Based on these initial reviews and discussions, the ABADE C3 team has developed plans and scopes of work to support MoCI's efforts to update and develop final versions of these action plans, along with strategies and procedures for implementing these plans.

One scope of work was developed for an STTA assignment that will be initiated in Q3 to update the legal and policy reform priorities included in the action plans for the gemstones and marble sectors and assist MoCI in developing final versions of these action plans. This assignment will include reviewing the status of activities included in these two sets of action plans to determine which activities, if any, have been completed and the specific results that have been achieved. It will also examine the status of activities that are still underway, as well as activities included in the action plans that have not yet been addressed. As a result of this review, the consultant will assist MoCI and other relevant ministries (such as the Ministry of Mines) in developing final versions of the action plans for these two industry sectors that will specify the strategies and action agendas that will be implemented over the next two years. The updated action plans and implementation strategies will include tasks that ABADE will help implement in partnership with private sector stakeholders, MoCI, and other government units.

After completing the initial review of the MoCI draft action plans for the carpet industry, food processing, and construction inputs, a plan was developed for working with MoCI to develop final versions of these sectors. These action plan updates will be addressed during the third quarter of 2013. This assignment, like the assignment for the marble and gemstones sectors, will involve determining the status of activities included in the initial drafts of these action plans, including activities that have been completed, the results achieved from these completed actions, activities that are still being implemented, activities that have not yet been addressed, and priority actions that MoCI should or would like to implement during the next two years as part of their updated action plans. In addition, the C3 team will support efforts of the MoCI sector working groups, composed of representatives from MoCI and other government agencies, business associations and other private sector stakeholders, and international donors, to develop practical strategies for implementing these plans, including determining who will take the lead for different actions, funding sources, implementation procedures and systems, and methods of monitoring and reporting results.

### **MOBILIZE STAKEHOLDER SUPPORT FOR COLLECTIVE EFFORTS TO REMOVE LRA BARRIERS**

This task has been planned for Q3, and will be carried out in conjunction with efforts to develop final, updated versions of the action plans for the targeted sectors. C3 staff will need to evaluate the current status and activity of the sector Working Groups (WG) at MoCI and determine ways in which private sector stakeholders can be more actively engaged in identifying needed LRA reforms, proposing solutions, and actively working to ensure that the priority activities included in the action plans are implemented in a satisfactory manner. At the present time, the interest among private sector stakeholders of participating in working groups or other forms of dialogue with government ministries appears to be waning, due to slow or no progress in taking their recommendations into account and actually implementing proposed plans for removing constraints. It will be essential to demonstrate that improved collaboration between government and private sector stakeholders can be an effective means of improving the enabling environment in order to continue to elicit their continued participation in policy reform efforts. Consequently, ABADE will need to focus on introducing more effective procedures for public-private dialogue and collaboration that produce results in order to ensure that private sector views and priorities are taken seriously in efforts to remove specific policy, regulatory, and administrative constraints.

### **DEVELOP SERVICES AND PROCEDURES FOR HELPING ABADE CLIENTS SOLVE LRA PROBLEMS**

Component 3 staff have prepared a brief questionnaire that will be used as part of a customer feedback system to collect information from ABADE clients on regulatory and administrative impediments they expect to face in

implementing proposed PPAs with ABADE support and the actual problems they encounter in the course of implementing these Agreements. Information on time and expenses required to solve regulatory and administrative problems will be collected through this system. In addition, information will be collected on the types of support ABADE clients may require from specialized business service providers to help them comply with government requirements.

To meet the demands of ABADE clients for assistance in complying with government requirements, the C3 team has been collecting information on specialized professional service firms (law firms, tax advisors, custom brokers, etc.) that are capable of helping ABADE clients deal with regulatory and administrative impediments they are facing in implementing business development plans. Support to firms in these areas will be carried out in conjunction with the planned C2 assistance to improve existing services and provide other forms of business development services.

### **SUPPORT IMPLEMENTATION OF LRA REFORM PRIORITIES IN THE MOCI SECTOR ACTION PLANS**

Originally ABADE's Component 3 was tasked to improve Afghanistan's rankings on the World Bank's Doing Business Index through reduction in the number of days to obtain business licenses and to obtain construction permits. After meeting with the WB and IFC teams working on these issues, it was determined through consultation with USAID that programs to solve these problems were already well underway. Hence, there was no particular need for ABADE support to these initiatives. There may be more pressing need for ABADE assistance in other areas, such as supporting efforts to implement plans for removing policy and regulatory constraints that are inhibiting growth in the targeted industry sectors, or developing streamlined procedures for renewing business licenses (rather than focusing on procedures for initial business registration).

Based on the initial assessments and meetings, it appears that the C3 team could play a particularly important role in assisting MoCI to implement the policy reform actions included in the updated action plans for selected priority sectors. In conjunction with efforts to develop final versions of the sector action plans, the C3 team will cooperate with MoCI and members of the sector working groups to develop procedures for implementing the action plans, monitoring progress, and reporting on results. ABADE support will include:

- Developing improved procedures for public-private dialogue and consultations to obtain feedback from private-sector stakeholders on priority problems, identify possible solutions, and engage stakeholders in efforts to solve business development problems and remove LRA barriers
- Coordinating donor contributions to help implement priority LRA reform activities in the action plans
- Reporting on progress, publicizing results

During future meetings with MoCI and working group members, the ABADE team will identify and agree upon specific performance indicators that will be used to measure the impacts of ABADE efforts to improve the enabling environment for enterprise development in these targeted sectors.

### **Support to GIRoA for Forming Public-Private Partnerships**

A scope of work has been developed through consultations with the Ministry of Finance to supply the MoF and other strategic investment ministries with current information on PPP best practices, regional and international experiences, and options for Afghanistan. The STTA will also assist MoF PPP staff to develop a work plan for follow-on actions, review draft PPP regulations, and draft additional or updated provisions as required. The deliverables for this scope of work include an action plan specifying the steps that MoF and other government offices need to take to implement the required PPP regulations and administrative procedures, a draft PPP policy and key PP law provisions, as well as summary model contract templates.

### **INSTITUTIONAL SUPPORT TO AFGHAN INVESTMENT SUPPORT AGENCY (AISA)**



ABADE has met with AISA's CEO, the Director of the Investment Promotion Department and with its other directors. AISA originally requested funding support for a number of activities that actually fall outside of ABADE's SOW and available resources, such as \$350 K for the Herat investment forum in April, \$1.2 million for the investment conference in Turkey in June, and \$5 million for a media campaign. In the interactions with AISA it has become evident that they need institutional capacity to prioritize their needs, to improve communication with the international business community and to engage more effectively with aid agencies. ABADE will consult further with AISA management to develop a Scope of Work that is consistent with ABADE objectives and resources, including preferred intervention modalities and expected results. Assuming agreement will be reached on the SOW for ABADE assistance, the C3 team will begin working more intensively with AISA during Q3.

## **GENDER HIGHLIGHTS**

### **GENDER BASELINE SURVEY**

ABADE's Gender Baseline survey, supervised by M&E team, has been completed and is under internal review. ABADE contacted 18 entities (ministries, government agencies and bodies, associations, unions, cooperatives) to get information on women-owned businesses and received information from 10. After cleanup of data and removal of double entries, 2,043 companies were identified, of which ABADE reached out to 625 (30% sample size). One hundred sixty-five responded (26% response rate), for a total sample size of 8%. The results of the survey will be used to inform ABADE's approaches to supporting the formation of PPAs and to the delivery of TA and training.

In general, the survey showed that 84% of women's businesses were owned by women, while others were co-owned by men or were owned by men but managed by women. The large majority of women owners were over the age of 25, and over half of the companies had been operating for over two years. Over 65% of these companies can be classed as microenterprises (0-10 employees), while most of the remainder are small enterprises (11-50 employees). The average number of permanent employees is 27, of which 44% are women. Including contracted workers, each company employs an average of 34 full time equivalent staff. The majority of these companies were in the construction or logistics sector or engaged in light and manufacturing (tailoring/handicrafts; also some wood carving, jewelry, and food production. A much smaller number engaged in consultancy, translation, evaluation, legal services, educational services, and the information sector or in accommodation and food services. Less than 2% of the companies engaged in any one of the remaining sectors.

Financial data are not reliable, as there is no way to validate data provided and most companies are not willing to provide information. With this reservation, data seem to indicate that most companies are enjoying steady increases in sales. Only 11% have ever applied for a loan, ("no need", "strict requirements", "high interest"), but of those that did, 72% received loans in amounts ranging from USD 1,000,000 to USD 200, for an average loan size of USD 138,607. Forty-four percent of companies have used services of a BSP, and of those, 89% believe this has helped their businesses. Thirty-seven percent of all companies believe they need training (mostly in proposal writing and bid preparation, followed by financial, marketing and management training; some construction, engineering training demand); 21% need financial assistance (for land, machinery, office space); and 10% need assistance with bidding (access to information, streamlining of bidding processes). Sixty-six percent of surveyed companies plan to expand their business.

Of significance to ABADE, only 70% of companies used any form of accounting, less than 70% had a business plan, or income statements, and less than half of the companies managed human resources, procurements, marketing, or cash flow. Fewer than 30% of firms had a balance sheet stock keeping or book keeping systems, or inventory management, and fewer than 15% engaged in any form of capacity building, or quality management. Only 6% had information management systems.

These findings present significant opportunities for ABADE to assist women-owned firms in improving their performance and in expanding their operations.

## **ABADE GENDER STRATEGIC ACTION PLAN**

The assistance of IESC's gender specialist was engaged to formalize a strategic approach towards enhancing women's access to the workplace. ABADE's strategic plan for supporting women in business has been completed during Q2, and is under review by ABADE senior staff.

The purpose of this document is to develop an actionable plan to achieve ABADE's Gender objectives. It provides strategic options and opportunities to integrate gender support to maximize the opportunities for women in the workplace and increase women's employment and job creation. It helps targeting support to women at various levels of the economic ladder from interns, entrepreneurs, employees, managers up to owners. It also examines knowledge and training gaps that women need addressed to even the playing field in the male dominated workplace. The strategy will concentrate on the following areas to generate the numbers of women employed:

- (1) SMEs, PPAs, and initiatives necessary to fulfill the ABADE objectives in the area of outreach and recruitment;
- (2) Support to women-centered PPAs and workplace models;
- (3) Tailor the project solicitation and support process to maximize women's participation and success;
- (4) Identify the "gaps" in women's workforce skills;
- (5) Offering high value skills training; and
- (6) Support for female internship programs internally and through PPAs.

## **INNOVATION ALLIANCES FOR WOMEN IN THE WORKPLACE**

ABADE issued a call for the submission of Expressions of Interest in submitting Innovation Alliance concepts "Women in the Workplace", in order to solicit ideas on new models for supporting women's employment. About 50 concept notes were reviewed by ABADE's Component 2 team in Q2. Unfortunately the majority of such concepts did not meet ABADE's criteria but were rather request for grants or training program. Very few offered innovative ideas or approaches that would have facilitated access to workplaces for women. About a dozen applicants were requested to improve their concepts and to apply for an innovation alliance, but so far only two have actually submitted.<sup>3</sup> IESC's gender specialist has assessed results of this call for EOI and recommended that more focused calls for concepts be issued with better defined scopes.

## **ENVIRONMENT**

The ABADE project is contractually obligated to comply with the terms and references of the Initial Environmental Examination (IEE) (Amendment 1 - Tracking# OAPA-13-Jan-Afg-0010) approved by the Mission in January 2013. The IEE reporting requirements state that progress reports including quarterly, semi-annual and annual reports, as applicable, will contain sections on environmental compliance.

The ABADE Environmental Management Plan (EMP) has been adapted from the template provided in the IEE and includes instructions for use of the Environmental Review Form (ERF), including the supplement to the ERF for Natural Resources Activities, and the Environmental Review Report (ERR). These forms will be generated for each ABADE subproject - SME Alliance, Public-Private Innovation Alliance, and training that will potentially effect the environment or natural resources, as applicable.

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<sup>3</sup> A total of two Innovation PPAs were received, of which one (Paiwastoon – Maggic Box) specifically targets women employment. Five new I-PPAs were received after April 1, of which three specifically target women in the workplace.

In a meeting with USAID on March 13, 2013, the USAID Mission Environmental Officer (MEO) requested the development and implementation of an Environmental Manual (EM) in order to efficiently facilitate the clearance process for the volume of expected subprojects under Component 1 activities. The EM has been generated and is currently in the review process. Upon USAID approval it is expected that the clearance of subproject ERF/ERRs will not require explicit MEO approval and will be subject to internal clearance by the Environmental Specialist/COP/AOR, with periodic review by the MEO.

At this time, the ERF/ERR for one subproject has been generated and approved by the AOR/MEO. This subproject is a PPA supporting Paiwastoon Networking Services Ltd, for which the recommended determination is Negative Determination with Conditions, with mitigation measures/conditions provided in the ERR.

The environmental compliance tracking table that follows will be included in forthcoming progress reports to USAID in order to report on the status of environmental compliance.

*Table 1. USAID ABADE Environmental Compliance Tracking Table*

Subproject Tracking Number and Name	Date of Award	Environmental Review Form (ERF) Recommended Determination	ERF/Environmental Review Report (ERR) Status	Environmental Mitigation and Monitoring Plan (EMMP) Requirement	EMMP Status	ERF in TAMIS	Final ERR/EMMP in TAMIS
Paiwastoon Networking Services, Ltd.	Pending	Negative Determination with Conditions	Approved	No	N/A	No	No

## PERFORMANCE INDICATORS

ABADE performance indicators will be updated quarterly and presented in this section. While a number of PPAs have been selected, they will not reflect in this table until ABADE has received all partner signatures.

### ABADE Progress Toward Results, Q2 2013

PMP Ind	PERFORMANCE INDICATOR  <i>(source of information)</i>	Qtr 02 13 January – March 2013			Cumulative Year 2013			LIFE OF PROJECT Totals		
		Target	Ttl	%	Target	Ttl	%	LOP Target	Ttl	%
I. Tier I Indicators										
1	500 SMEs supported with ABADE assistance (SME Reg Forms)	0	0	0%	100	0	0%	500	0	0%
2	150 private sector firms that have improved management practices as a result of ABADE assistance (SME Reg forms and survey forms)	0	0	0%	30	0	0%	150	0	0%
3	150 firms receiving ABADE assistance to invest in improved technologies (SME Reg forms)	0	0	0%	30	0	0%	150	0	0%
4	365 public-private alliances formed as a result of ABADE assistance (SME PPA Agreements)	0	0	0%	85	0	0%	365	0	0%
5	41 Innovation public-private alliances formed (Innovation PPA Agreements)	0	0	0%	5	0	0%	41	0	0%
6	USD 180 million in private-public sector alliances established (Innovation and SME PPA Agreements)	\$0	\$0	0%	\$40.000.000	\$0	0%	\$180.000.000	\$0	0%
7	20% increase in sales by Public-Private Alliance SMEs (SME Registration and Survey forms)	0%	0	0%	5%	0	0%	20%	0	0%
8	40 initiatives that provide alternative workplace models for women (Initiative registration forms)	0	0	0%	10	0	0%	40	0	0%
9	200 women trained in “high value” skills (Graduate registration forms)	0	0	0%	20	0	0%	200	0	0%
II. Tier II Indicators										
A	46,000 Full-Time Equivalent Jobs Created (SME Registration and Survey forms)	0	0	0%	5.000	0	0%	46.000	0	0%
B	10% reduction in the number of days to obtain business licenses (Survey forms)	0	0	0%	6	0	0%	6	0	0%
C	20% reduction in the number of days to obtain construction permits (Survey forms)	0	0	0%	320	0	0%	267	0	0%